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Macroeconomic policy questions: preparations for the International Ministerial Meeting on Transit Transport Cooperation

Specific actions related to the particular needs and problems of landlocked developing countries: preparatory process for the International Ministerial Meeting on Transit Transport Cooperation

Report of the Secretary-General**

Summary

Lack of territorial access to the sea, remoteness and isolation from world markets and high transit costs continue to impose serious constraints on the overall socio-economic development of landlocked developing countries. Sixteen of the 30 landlocked developing countries are classified as least developed countries. The international community has channelled significant resources into the transport infrastructure development in landlocked and transit developing countries. A number of United Nations agencies and other international organizations have been undertaking useful work in the area of trade facilitation aimed at elevating the efficiency of the use of existing transport infrastructure. The present report makes an attempt to describe these measures in a holistic manner, rather than referring to individual projects in landlocked and transit developing countries. The Millennium Declaration calls for a global partnership to address the special needs of landlocked developing countries. The decision taken by the General Assembly to convene in 2003 an International Ministerial Meeting of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation reflects the priority accorded by the international community to addressing the development challenges of landlocked developing countries.

* A/57/150.

** The report was submitted late to the conference services in view of the timing of the establishment and staffing situation of the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States.

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I. Introduction

1. In paragraph 21 of its resolution 56/180, the General Assembly requested the Secretary-General to prepare a report on the implementation of that resolution and to submit it to the Assembly at its fifty-seventh session.

2. In paragraph 13 of the resolution, the General Assembly requested the Secretary-General to convene in 2003 an International Ministerial Meeting of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation, to review the current situation of transit transport systems, including the implementation of the 1995 Global Framework for Transit Transport Cooperation between Landlocked and Transit Developing Countries and the Donor Community, and to formulate, inter alia, appropriate policy measures and action-oriented programmes aimed at developing efficient transit transport systems. The meeting would be held for two days and would be preceded by a three-day meeting of senior officials to finalize the substantive preparations.

3. In paragraph 22, the General Assembly decided to include in the provisional agenda of its fifty-seventh session, under the item entitled "Macroeconomic policy questions", a sub-item entitled "Preparations for the International Ministerial Meeting on Transit Transport Cooperation". In paragraph 15, the Assembly requested the Secretary-General, in close cooperation with and with the full involvement of the secretariat of the United Nations Conference on Trade and Development (UNCTAD), as appropriate, to provide substantive and organizational support for the International Ministerial Meeting, and requested that, in that context, the necessary preparations be undertaken at the subregional and regional levels, as appropriate, with the involvement of all major stakeholders, including the private sector.

II. Particular needs and problems of landlocked developing countries

Lack of territorial access to the sea

4. Landlocked developing countries are generally among the poorest of the developing countries, with the weakest growth rates, and are typically heavily dependent on a very limited number of commodities for their export earnings. Moreover, of the 30 landlocked developing countries 16 are classified as least developed. The lack of territorial access to the sea, remoteness and isolation from world markets appear to be the primary causes of their relative poverty. Their seaborne trade unavoidably depends on transit through other countries. Additional border crossings and long distance from the market substantially increase the total expenses for the transport services.

5. Landlocked developing countries find themselves more dependent on other countries' transport policies, enterprises and facilities. This implies a relative lack of control over the development of infrastructure, transport management and policies, which normally will be shaped by the transit country according to considerations of its own interests. Establishment of efficient transit transport systems will depend on cooperative arrangements between landlocked developing countries and their transit neighbours.

Remote distance and isolation from world markets

6. The remoteness from major world markets is the principal reason why many landlocked developing countries have not been very successful in mitigating the consequences caused by their geographical handicap as compared to landlocked countries in Europe. Landlocked developed countries in Europe are surrounded with major developed markets and their seaborne trade accounts for a relatively small part of their external trade. They export mainly highly value-added products and their distance from the seaport is relatively short. The distances involved in most cases of landlocked developing countries are excessive. Kazakhstan has the longest distance from the sea (3,750 km), followed by Afghanistan, Chad, the Niger, Zambia and Zimbabwe, with distances from the nearest seacoast in excess of 2,000 km. Transit time for goods of landlocked developing countries is extremely long because of their long distance, difficult terrain, road and railway conditions and inefficiency of transit transport.

7. In most cases, their transit neighbours are themselves developing countries, often of broadly similar economic structure and beset by similar scarcities of resources. The recorded trade between landlocked and transit developing countries tends to be

relatively insignificant. In any case, the transit developing countries are typically in no position to offer transport systems of high technical and administrative standards to which their landlocked neighbours might link themselves effectively by the development of their own internal transport systems.

8. There is a clear correlation between distance and the transport costs. High transport costs erode the competitive edge of landlocked developing countries and trade volume. The trade reducing effect is strongest for transport intensive activities that are dependent on exports or imported intermediate goods for production. Most landlocked developing countries are commodity exporters.

9. According to UNCTAD estimates based on the balance of payment statistics of the International Monetary Fund, on average, landlocked developing countries spent almost two times more of their export earnings for the payment of transport and insurance services in 1995 than the average for developing countries and three times more than the average for developed economies.

10. Compared to the post-Uruguay Round most favoured nation tariffs, high transport costs facing landlocked developing countries have become a far more restrictive barrier to trade for these countries than tariffs. Tariffs for Canada, the European Union, Japan and the United States of America will range from 3 per cent to 7 per cent on goods originating in most landlocked developing countries. Then landlocked developing countries on average pay almost three times more for transport services than these tariffs. Most landlocked developing countries benefit from recent initiatives to provide greater market access for goods of least developed countries.

III. Specific actions to address the particular needs and problems of landlocked developing countries

11. The objectives of the landlocked developing countries with respect to their transit services are: (a) to secure unfettered access to the sea by all means of transport; (b) to reduce costs and improve services so as to increase the competitiveness of their exports; (c) to reduce delivered costs of their imports; (d) to have routes free from delays and uncertainties; (e) to reduce en route loss, damage and deterioration; and (f) to open the way for export expansion.

12. The international community is undertaking measures to address transit transport problems of landlocked and transit developing countries. These efforts include financial assistance in transport infrastructure by the World Bank, regional development banks and bilateral assistance programmes; multilateral and bilateral technical assistance projects; trade facilitation measures promoted by UNCTAD, regional commissions, the World Trade Organization (WTO) and other relevant international, regional and professional organizations.

Official development assistance in the transport sector

13. Landlocked and transit developing countries have continued to make significant investment in infrastructure development, subject to availability of financial resources. The major sources of such investment, in the form of grant aid or soft loans, have been their development partners. The regional development banks, the World Bank, the European Union and Japan are among the lead contributors in this area.

14. For the 30 landlocked developing countries as a whole, for the 1990s, transport sector commitments reached US$ 8.6 billion and constituted 11.8 per cent of total commitments, as compared with $50.2 billion and 13.4 per cent for the 34 transit developing countries. Physical infrastructure of all types constituted 26.5 per cent of all commitments for the 30 landlocked developing countries and 33.5 per cent for the 34 transit developing countries.[1]

Foreign direct investment

15. The existence of a well-functioning transport system is a prerequisite not only for trade, but also for foreign direct investment. Some of the main specific economic factors for selecting a country for foreign direct investment are physical infrastructure and the availability of reliable and efficient transport and communication services. The 30 landlocked developing countries received a very small share of international foreign direct investment: only $4.6 billion or 0.34 per cent of world flows in 2001. Foreign direct investment in Kazakhstan was the highest among the landlocked developing countries at $1.2 billion. The 15 landlocked

developing countries in Africa received a total of only $984 million.

Reform measures

16. Faced with reduced funding and more demanding requirements from users, the Governments of landlocked and transit developing countries must seek to make existing transport infrastructure more effective. Thus, facilities must be well maintained and intensively used. Rules and regulations need to be changed to encourage private sector participation, deregulation, decentralization and liberalization. The strengthening of management, deregulation, commercialization or privatization will also be necessary. Landlocked and transit developing countries require assistance in revising their regulatory framework, in human resource development and in implementing reform processes.

Regional integration

17. Surmounting non-physical barriers to enhance the efficient use of existing physical transport infrastructure is a major objective to be aggressively pursued, particularly when investment resources are scarce. In this context, the establishment of regional transport corridors and the adoption of common rules and standards have played a major role in transit transport facilitation. Institutional changes are required, particularly with regard to implementing arrangements and procedures for transit operations. Regional integration efforts and subregional organizations play an important role in developing regional cooperation and expansion of regional trade.

Non-physical aspects of transit transport

18. While improvement of transport infrastructure is a long-term project, trade facilitation measures are crucial in reducing trade transaction costs by simplifying the requirements, harmonizing the procedures and documentation, standardizing commercial practices and introducing agreed codes for the representation of information elements. The benefits from trade facilitation can be particularly important for landlocked countries because their goods have to move across additional borders. Documentation requirements often lack transparency and are vastly duplicative in many places, a problem often compounded by a lack of cooperation between traders and official agencies. Despite advances in information technology, automatic data submission is still not commonplace.

19. The magnitude of the issue is illustrated by UNCTAD estimates that the average customs transaction involves 20 to 30 different parties, 40 documents and 200 data elements (30 of which are repeated at least 30 times). An Asia-Pacific Economic Cooperation (APEC) study estimated that trade facilitation programmes would generate gains of about 0.26 per cent of real gross domestic product to APEC, almost double the expected gains from tariff liberalization, and that the savings in import prices would amount to 1 to 2 per cent of import prices for developing countries in the region.

IV. Programmes and initiatives by international organizations

20. **United Nations Conference on Trade and Development**. The most important technical assistance programme of UNCTAD in the area of trade facilitation is the Automated System for Customs Data (ASYCUDA). The core component of the programme is a computer-based software programme to streamline and reduce customs forms and procedures. It is based on and incorporates recommendations and standards of the Economic Commission for Europe (ECE) and the World Customs Organization (WCO), including those related to the Document Layout Key, codes and other standards. The basic idea is to rid the customs system of outdated procedures and practices and incorporate international practices and standards in order to increase the country's customs revenue through reduced costs and faster clearance. Since its inception, the programme has been updated and revised numerous times to improve capacity and performance.

21. UNCTAD promotes the concept of National Trade and Transport Facilitation Committees (NTTFC). These committees bring together representatives of all public and private parties concerned with international trade and transport facilitation in a country, i.e. government entities, service providers and transport users. Established as a consultative body, an NTTFC serves as a national forum to establish formalities, procedures and documentation used in international transport and trade.

22. UNCTAD has developed a transport management tool called the Advance Cargo Information System

(ACIS). ACIS is a set of computer applications designed to produce management information to address multi-modal cargo transit and transport problems. ACIS provides improved information to help control the operations of individual transport operators and facilitate rational corporate planning. It also serves as a database facility on the latest reported location and status of goods and transport equipment. Therefore, it permits Governments and institutions to analyse national, subregional and regional problems and investigate alternative investment opportunities in the transport sector.

23. UNCTAD is also implementing measures to develop subregional cooperation on transit transport, including promoting transit traffic framework agreements.

24. **Economic Commission for Africa (ECA)**. ECA continues to promote the development of transit corridors and regularly conducts research in order to identify the major obstacles to the development of efficient transit transport systems along the major transit corridors in Africa. To address these bottlenecks, a number of transit corridors have been identified for development. With the assistance of ECA, many landlocked countries and their coastal neighbours have developed bilateral and multilateral agreements to facilitate the movement of goods and persons. ECA findings suggest that landlocked countries that have signed transit agreements with their transit neighbours have relatively fewer transit problems than those that have not done so, even though the implementation of those agreements has been unsatisfactory. Road transport remains the main mode in intra-African transport.

25. The special problems of landlocked developing countries have been clearly recognized in the Second United Nations Transport and Communications Decade for Africa (UNTACDA II). UNTACDA II attached particular importance to the facilitation of international road traffic aimed at abolishing intra-African trade barriers and obstacles by improving the efficiency of road transport services. Particular attention was given to harmonization of transit charges, preparation of guidelines on harmonized charges and harmonization of axle load control. ECA is also making efforts to prepare performance indicators to monitor road transport operations along the road corridors. Moreover, it has made efforts to streamline and simplify border crossing and checkpoints for transit transportation. In this context, efforts were made to establish adjacent border posts to reduce the waiting time of truck drivers and for transit formalities.

26. The evaluation report of UNTACDA II recognized that the transportation needs of the 15 landlocked countries of Africa to reach seaports have to be adequately provided for. Cumbersome administrative procedures and poor facilities within the transit countries are detrimental to the development of the international trade of these landlocked countries.

27. **Economic and Social Commission for Asia and the Pacific (ESCAP)**. ESCAP has been actively promoting the use of electronic commerce in international trade in the region. It has made available to its member countries the services and expertise of a regional adviser on trade facilitation and e-commerce. ESCAP has also organized national workshops on human resource development for e-commerce, with a particular focus on small- and medium-size enterprises, and conducted training on the use of information technology for trade and investment promotion. In addition, ESCAP will hold the joint UNCTAD-ESCAP high-level Asia-Pacific Regional Conference on E-commerce Strategies for Development from 20 to 22 November 2002.

28. ESCAP has recently conducted a series of national and subregional-level workshops on trade facilitation and on human resources and capacity-building for trade facilitation, with a particular focus on transit trade facilitation, which is of special importance to landlocked countries. A training manual on trade facilitation has also been developed. ESCAP, often in cooperation with WTO and the Association of South-East Asian Nations, has also held training workshops on WTO accession and the implementation of the WTO Technical Barriers to Trade agreements to facilitate trade. ESCAP has implemented a number of national-level studies for the alignment and simplification of trade documents using international standards and best practices in order to facilitate trade.

29. ESCAP, in cooperation with the Asian Development Bank, and with support from the Government of Japan, has established the Trade Facilitation Working Group with a view to bringing together the national trade facilitation bodies of the Greater Mekong Subregion and to sharing best practices in the area of trade facilitation. It has also participated in the development of the Greater Mekong

Subregion (GMS) Business Forum to assist the development of the private sector in the subregion.

30. Within the framework of Asian Land Transport Infrastructure Development, comprising the Asian highway and trans-Asian railway networks and land transport facilitations measures, special attention has been given to landlocked developing countries in order to link them to the regional land transport network. ESCAP has also been actively encouraging the member States to accede to the international land transport facilitation conventions.

31. **Economic Commission for Europe**. ECE has developed a set of international legal instruments governing the international transport of goods and the passage of vehicles. ECE has played a key role in putting in place various international conventions and agreements that regulate international rail and road traffic. A range of procedures for temporary importation, transport of dangerous goods, regulation of international transport operations and cross-border transport of goods has also been developed.

32. ECE is promoting accession to and implementation of this set of legal instruments by all countries, including landlocked developing countries. It has also been promoting subregional cooperation in transit trade. In cooperation with ESCAP, ECE has been assisting the landlocked countries in Central Asia within the initiative Special Programme for the Economies of Central Asia, a working group on transport and border crossing facilitation. The programme is focusing on the development of transport infrastructure and cross-border facilitation.

33. ECE is contributing significantly to facilitating international commerce by undertaking measures to reduce the amount of paperwork in trade transactions. Electronic Data Interchange (EDI) and the United Nations rules for Electronic Data Interchange for Administration, Commerce and Transport (UN/EDIFACT) are among the cornerstones of the electronic commerce. UN/EDIFACT is an international standard for the formatting and sequencing of data for EDI. UN/EDIFACT was invented by ECE to develop an international standard to replace the two national standards that emerged in the United States and in Europe and were creating difficulties for international trade. The UN/EDIFACT is a set of standards, directories and guidelines for the electronic interchange of structure data, in particular related to trade in goods or services, between independent computerized systems in different organizations, irrespective of type of computer or software used. ECE is also instrumental in standard-setting for transport infrastructure and transport means.

34. **United Nations Commission on International Trade Law (UNCITRAL)**. The objective of UNCITRAL is to help reduce or remove obstacles to the flow of trade caused by disparities in national laws governing international trade by furthering the progressive harmonization and unification of the law of international trade. The Commission has become an important body of the United Nations system in the field of international trade law. It works mainly through the drafting of United Nations conventions and other legal instruments. In the area of work relating to trade facilitation, the Commission is dealing with the international sale of goods and related transactions; international transport of goods; international commercial arbitration and conciliation; international payments; and electronic commerce.

35. **World Customs Organization**. All aspects of WCO work relate closely to trade facilitation. Its main mission is to enhance honest, transparent, predictable and efficient customs administration. Its main activities include: establishment and promotion of international instruments for harmonization and uniform application of simplified and effective customs systems and procedures; examination of technical aspects of customs systems; improvements in the management and working methods of customs administration; promotion of cooperation between customs administrations and the trading community to improve communication and facilitation. In particular, WCO introduced the Harmonized Commodity Description and Coding System, which is used worldwide as the basis for classifying goods and for the collection of revenue. WCO has developed extensive technical cooperation programmes, including a customs reform and modernization programme.

36. The most important aspect of the work of WCO is the promotion of the International Convention on the Simplification and Harmonization of Customs Procedures (Kyoto Convention). In June 1999, the revised Kyoto Convention was approved by the Council of WCO. The revised Convention will promote trade facilitation through the legal provisions within the general annex and the specific annexes and chapters. The revised Kyoto Convention stipulates the

following principles: standard and simplified procedures; maximum use of information technology; partnership approach between customs and trade; maximum use of automated systems; risks management techniques; the use of pre-arrival information to drive programmes of selectivity; the use of electronic transfer of funds; coordinated intervention with other agencies; and transparency in customs requirements, laws, rules and regulations.

37. **World Trade Organization**. WTO rules comprise a variety of provisions that aim to enhance transparency and to set minimum procedural standards. The topic concerning trade facilitation was added at the WTO Singapore Ministerial Conference in December 1996, which directed the Council for Trade in Goods to undertake exploratory and analytical work on the simplification of trade procedures in order to assess the scope for WTO rules in this area. WTO has been undertaking exploratory and analytical work since then.

38. The Ministerial Declaration of the Fourth Ministerial Conference of WTO, held in Doha in November 2001, recognized the case for further expediting the movement, release and clearance of goods, including goods in transit, and the need for enhanced technical assistance and capacity-building in this area. It was agreed that negotiations on trade facilitation would take place after the Fifth Session of the Ministerial Conference on the basis of a decision to be taken, by explicit consensus, at that session on modalities of negotiations. In the period until the Fifth Session, the Council for Trade in Goods shall review and, as appropriate, clarify and improve relevant aspects of articles V (Freedom of transit), VIII (Fees and formalities connected with importation and exportation) and X (Publication and administration of trade regulations) of the General Agreement on Tariffs and Trade and identify the trade facilitation needs and priorities of members, in particular, developing and least developed countries.

V. Preparatory process for the International Ministerial Meeting of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation

39. An Inter-agency meeting on the preparations for the International Ministerial Meeting was convened in New York on 5 June 2002 by the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States in cooperation with the secretariat of the United Nations Chief Executives Board for Coordination. It was attended by 35 representatives from more than 20 United Nations agencies and the regional commissions. The Bureau members of the fifth Meeting of Governmental Experts from Landlocked and Transit Developing Countries and Representatives of Donor Countries and Financial and Development Institutions on Transit Transport Cooperation also attended the meeting.

40. The main purpose of the Inter-agency meeting was to build a consensus among United Nations system organizations and other stakeholders on the conceptual framework and organizational aspects of the International Ministerial Meeting. The United Nations system should work in a coordinated manner in assisting in the formulation of a new agenda to develop efficient transport systems. A broad-based participatory approach would be a key element in ensuring success at the Ministerial Meeting. Consequently, efforts will be made to ensure that Governments, United Nations entities and other relevant organizations have a sense of ownership of the preparatory process as well as the outcome of the Ministerial Meeting. In this respect, it is important that a mechanism of focal points in the relevant United Nations entities, regional commissions and international financial and development institutions be established. The effective and meaningful involvement of the private sector would also be an important element of the process.

41. It was considered that the preparatory process should be designed in such a way that would achieve the expected outcome with minimum resources. The sixth meeting of governmental experts, which has

already been scheduled, will be turned into the first preparatory committee meeting. The second preparatory committee meeting will be organized back-to-back with the Ministerial Meeting. It is therefore planned to have no more than five days of additional meetings in the biennium 2002-2003. The existing intergovernmental mechanism and initiatives at the subregional and regional levels will be utilized as fully as possible for the subregional and regional-level preparations.

42. While supporting these planning efforts to minimize financial implications, the participants emphasized the importance of mobilizing the necessary additional resources for the preparation of such a global and high-level meeting.

43. The Ministerial Meeting must be built on well-coordinated and well-planned preparatory work. The Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States would have the responsibility for overall coordination for the preparation and organization of the Ministerial Meeting. UNCTAD, the World Bank and the regional commissions will take a lead in substantive and technical aspects of the Ministerial Meeting within their respective areas of competence and comparative advantage.

44. The High Representative has initiated consultations with the key stakeholders. In particular, he had extensive consultations and exchange of views with the European Commission and Government of Japan during his recent visits to their respective capitals on substantive and organizational aspects of the Ministerial Meeting. He also initiated consultations with the Secretary-General of UNCTAD and the Executive-Secretaries of ECA and ESCAP. The Ministerial Conference of the Least Developed Countries, held in Cotonou, Benin, from 5 to 7 August 2002, in its Declaration expressed full support for the preparatory process for the International Ministerial Meeting.

45. In its resolution 56/180, the General Assembly took into its consideration the offer made by the Government of Kazakhstan to host the Ministerial Meeting. The Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and the UNCTAD secretariat fielded a joint mission to Kazakhstan to sensitize the Government of Kazakhstan about organizational and substantive aspects of the meeting; to establish direct contacts with the relevant agencies and officials; and to initiate consultations with major stakeholders in Kazakhstan, including UNDP, the World Bank, the Asian Development Bank, representatives of donor countries and the private sector in order to solicit their support and active involvement in the preparatory process.

46. The High Representative organized two briefing meetings on the substantive and organizational aspects of the Ministerial Meeting for the landlocked developing countries on 18 June 2002, and for all delegates and interested United Nations system organizations on 12 July 2002.

VI. Recommendations

47. **Renewed efforts should be made to ensure close and effective cooperation between landlocked developing countries and their transit neighbours in establishing efficient transit systems.**

48. **It is essential that greater international assistance be provided to landlocked developing countries and their neighbours that are likewise developing countries. South-South cooperation is also crucial in this area. The issue of efficient transport systems in different subregions of Africa should be adequately addressed within the framework of the New Partnership for Africa's Development .**

49. **The International Ministerial Meeting would need to agree on action-oriented measures which take into account a broad range of factors, such as unfettered access to the sea by all means of transport, inadequate infrastructure, imbalance of trade, inefficient transport organization, poor utilization of assets, reform of transit transport policies and weak managerial, procedural, regulatory and institutional systems.**

50. **The Secretary-General calls upon development partners of landlocked and transit developing countries, international financial and development institutions as well as other stakeholders, including the private sector, to be actively involved in the preparatory process and in the International Ministerial Meeting in order to arrive at a successful outcome.**

51. In order to facilitate the preparations for the International Ministerial Meeting, including the participation of representatives of landlocked and transit developing countries at the meeting, the Secretary-General urges Member States to contribute extrabudgetary resources, as called for by the General Assembly in its resolution 56/180.

52. Moreover, the Secretary-General urges organizations of the United Nations system, including the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, UNCTAD, the regional commissions and the World Bank to work in a well-coordinated manner and to support fully the preparatory process as well as the International Ministerial Meeting, within their respective mandates.

53. Lastly, the Secretary-General calls upon the relevant United Nations agencies and other international organizations to extend their programmes and initiative in the area of trade facilitation to landlocked developing countries on a priority basis in order to alleviate the specific problems caused by their geographical handicap.

Notes

[1] See UNCTAD/LDC/112.